



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

June 5, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **WATTS LABOR COMMUNITY ACTION COMMITTEE CONTRACT -
WORKFORCE INVESTMENT ACT YOUTH PROGRAM**

We have conducted a program, fiscal and administrative contract review of Watts Labor Community Action Committee (WLCAC or Agency), a Workforce Investment Act (WIA) service provider.

Background

The Department of Community and Senior Services (DCSS) contracts with WLCAC, a private non-profit agency, to provide and operate the WIA Youth Program. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. WLCAC is located in the Second District.

WLCAC is compensated on a cost reimbursement basis. DCSS paid WLCAC approximately \$79,000 for Fiscal Year (FY) 2005-06. WLCAC's contract for FY 2006-07 is for \$78,878.

Purpose/Methodology

The purpose of the review was to determine whether WLCAC complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

"To Enrich Lives Through Effective and Caring Service"

Results of Review

The four program participants interviewed stated that the services they received met their expectation. However, WLCAC did not always comply with the WIA and County contract requirements. Specifically:

- WLCAC did not accurately update the Job Training Automation system to report the program activities for three (30%) of the ten participants.
- WLCAC did not obtain criminal clearances for two (40%) of five employees sampled and did not maintain copies of staff's driver's licenses or automobile insurance information in the personnel files for three (60%) of the five employees.
- WLCAC did not maintain automobile liability insurance coverage or name the County of Los Angeles as an additional insured to their insurance policies as required.
- WLCAC's procurement policy and personnel policy manual did not contain all required information.
- WLCAC did not prepare bank reconciliations accurately or timely.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with WLCAC on April 3, 2007. In their attached response, WLCAC concurred with our findings and recommendations. We notified DCSS of the results of our review.

We thank WLCAC for their cooperation and assistance during this review. We will follow-up on our recommendations during next year's review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
Timothy Watkins, President and CEO, Watts Labor Community Action Committee
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
WATTS LABOR COMMUNITY ACTION COMMITTEE
FISCAL YEAR 2006-07**

ELIGIBILITY

Objective

Determine whether Watts Labor Community Action Committee (WLCAC or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed ten (34%) youth program participants from 29 participants that received services from February to October 2006 and reviewed their case files for documentation to confirm their eligibility for WIA services.

Results

All ten participants met the eligibility requirements for the WIA program.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for ten (34%) participants that received services between February and October 2006. We also interviewed four participants.

Results

The four participants interviewed confirmed that the services they received met their expectations. However, WLCAC did not accurately update the program activities for three (30%) of the ten participants on the Job Training Automation (JTA) system. The

JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

Recommendation

1. **WLCAC management ensure that staff accurately update the JTA system to reflect the participants' program activities.**

CASH/REVENUE**Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliation for June 2006.

Results

WLCAC maintained adequate controls to ensure that revenue is properly deposited in a timely manner. However, as noted in the prior year's monitoring report, WLCAC did not complete monthly bank reconciliations in a timely manner. As of October 2006, WLCAC's last completed bank reconciliation was for June 2006. In addition, the June 2006 bank reconciliation was not accurately prepared. The adjusted bank balance on the reconciliation did not agree with the adjusted book balance and one check that cleared in March 2006 was included as an outstanding check. Further, the bank reconciliation was not signed and dated by the reviewer.

Recommendations**WLCAC management:**

2. **Ensure that bank reconciliations are completed accurately and in a timely manner.**
3. **Ensure that bank reconciliations are signed and dated by the reviewer.**

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for all three non-payroll expenditure transactions billed by the Agency for July and August 2006.

Results

WLCAC's expenditures were allowable, accurately billed to DCSS and supported by documentation as required.

Recommendation

There are no recommendations in this section.

INTERNAL CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested transactions in various areas such as cash, expenditures, payroll and personnel.

Results

Generally, WLCAC maintained sufficient internal controls over its business operations. However, WLCAC's procurement policy did not require price quotes for purchases over \$1,000. In addition, the personnel policy manual did not contain information regarding jury service. Further, WLCAC did not name the County of Los Angeles as an additional insurer on their insurance policies as required by the County contract.

Recommendations**WLCAC management:**

4. Ensure that the Agency's personnel and procurement policies are in compliance with program requirements.
5. Ensure that the County of Los Angeles is named on their insurance policies.

FIXED ASSETS AND EQUIPMENT

The objective of this section is to determine whether WLCAC's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

We did not perform test work in this section as WLCAC did not use WIA funds to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenses invoiced for all five employees in August 2006, totaling \$2,447, to the payroll records and time reports. We also reviewed the personnel files for the five employees assigned to the WIA program.

Results

WLCAC appropriately charged payroll expenses to the WIA program. However, WLCAC did not obtain criminal clearances for two (40%) of the five employees and did not maintain copies of the employees' driver's licenses or proof of auto insurance for three (60%) of the five employees in their personnel files. In addition, WLCAC did not maintain the current annual performance evaluation of all three eligible staff in their personnel files. Subsequent to our review, WLCAC management provided the updated performance evaluations. The issue of not maintaining current performance evaluations in personnel files was also noted in the prior year's monitoring report.

Recommendations

WLCAC management:

- 6. Ensure that criminal record clearances are obtained for all employees assigned to work on the WIA program**
- 7. Ensure that required documentation is maintained in the personnel files.**
- 8. Ensure that performance evaluations are kept current and maintained in the personnel files.**

COST ALLOCATION PLAN

Objective

Determine whether WLCAC's Cost Allocation Plan is appropriate and reasonable, prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in July and August 2006.

Results

WLCAC's Cost Allocation Plan complied with the County contract requirements and costs were appropriately allocated.

Recommendation

There are no recommendations in this section.

CLOSE-OUT REVIEW

Objective

Determine whether the Agency's Fiscal Year (FY) 2005-06 final close-out invoice was reconciled to the Agency's financial accounting records.

Verification

We traced and agreed the Agency's FY 2005-2006 final close-out invoice submitted to DCSS, which summarizes the total program expenditures for the fiscal year to the Agency's total WIA program expenditures on their general ledger and reviewed a sample of expenditures incurred in June 2006.

Results

WLCAC invoiced and received payment for \$79,285 in FY 2005-06. However, WLCAC exceeded their FY 2005-06 budget for utilities, resulting in an over billing of \$382.

Recommendations**WLCAC management:**

9. Repay \$382.
10. Ensure costs billed to DCSS do not exceed the approved budgeted amounts.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the A-C.

Verification

We verified whether the outstanding recommendations from FY 2005-06 monitoring review were implemented. The report was issued in May 2006.

Results

The prior year's monitoring report contained ten recommendations. WLCAC implemented five (50%) of the ten recommendations. As indicated earlier, all five outstanding findings were also noted during our current monitoring review. WLCAC management stated that the Agency plans to implement the five outstanding recommendations by June 30, 2007.

Recommendation

11. WLCAC management implement the outstanding recommendation from FY 2005-06 monitoring report.



WATTS LABOR COMMUNITY ACTION COMMITTEE

"Changing the face of a community... Moving the lives of a people"

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April 30, 2007

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FOUNDER/ADMINISTRATOR
1965-1993

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BERNICE WATKINS
ELIZABETH "PAT" EASTMAN

J. Tyler McCauley, Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, CA 90012

Re: WATTS LABOR COMMUNITY ACTION COMMITTEE CONTRACT –
WORKFORCE INVESTMENT ACT YOUTH PROGRAM

Dear Mr. McCauley:

The following is the WIA Youth Program, managed by the Watts Labor Community Action Committee, response to the Department of Auditor-Controller site visit on March of 2007 by J. Tyler McCauley.

We would like to thank you and your staff for the assistance you have provided to this agency. If you have any further questions, please contact Elton Blake at (323) 563-5683 or via email at elake@wlcac.org.

Sincerely,

Elton Blake
Program Director

Approved by:

Timothy Watkins
CEO/President

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CORRECTIVE ACTION PLAN

| Objective | Results | Recommendation | Agency Response | Time Frame |
|--|---|--|--|----------------|
| BILLED SERVICES/CLIENT VERIFICATION Objective: Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services. | <p>The four participants interviewed confirmed that the services they received met their expectations. However, WLCAC did not accurately update the program activities for five (50%) of the ten participants on the Job Training Automation (JTA) system. The State of California Employment Development Department and the Department of Labor to track WIA participant activities use the JTA system.</p> | <p>1. WLCAC management ensure that staff accurately update the JTA system to reflect the participants' program activities</p> | <p>WLCAC concurs with your recommendation. We have updated the information in the Job Training Automation (JTA) for two out of the five individuals named in question. WLCAC has also subscribed to the latest version of the software utilized by the County for easier access and accuracy in inputting participant program activities. the other three cases.</p> | <p>DONE</p> |
| CASH/REVENUE Objective: Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets. | <p>WLCAC maintained adequate controls to ensure that revenue is properly deposited in a timely manner. As of October 2006, WLCAC's last completed bank reconciliation was for June 2006. In addition, the June 2006 bank reconciliation was not accurately prepared. The adjusted bank balance on the reconciliation did not agree with the adjusted book balance and one check that cleared in March 2006 was included as an outstanding check. Further, the bank reconciliation was not signed and dated by the reviewer. The issue of not completing monthly bank reconciliation in a timely manner was noted in the prior year's monitoring report.</p> | <p>WLCAC management:</p> <ol style="list-style-type: none"> 2. Ensure that bank reconciliations are completed accurately and in a timely manner. 3. Ensure that bank reconciliations are signed and dated by the reviewer. | <p>Bank reconciliation is now done on a monthly basis.</p> <p>All bank reconciliations are reviewed and signed by both preparer and reviewer.</p> | <p>Ongoing</p> |

WLCAC-OneSource County Corrective Action

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CORRECTIVE ACTION PLAN

| Objective | Results | Recommendation | Agency Response | Time Frame |
|--|---|---|---|----------------------|
| CLOSE-OUT REVIEW Objective: Determine whether the Agency's Fiscal Year (FY) 2005-06 final close-out invoice was reconciled to the Agency's financial accounting records | WLCAC invoiced and received payment for \$79,285 in FY 2005-06. However, WLCAC exceeded its FY 2005-06 budgets in utilities, resulting in over billing of \$382. | WLCAC management: 10. Repay \$382. 11. Ensure costs billed to DCSS do not exceed the approved budgeted amounts. | <ul style="list-style-type: none"> Please see the enclosed check for \$382, which reflects the overpayment made to WLCAC. | Enclosed |
| PRIOR YEAR FOLLOW-UP Objective: Determine the status of the recommendations reported in the prior monitoring review completed by the A-C. | The prior year's monitoring report contained ten recommendations. WLCAC implemented five (50%) of the ten recommendations. As indicated earlier, all five outstanding findings were also noted during our monitoring review. WLCAC management stated that the Agency plans to implement the five outstanding recommendations by xxxx, 2007. | 12. WLCAC management implement the outstanding recommendation from FY 2005-06 monitoring report. | <ul style="list-style-type: none"> Four of the outstanding findings are implemented. As it pertains to ensuring that outstanding checks are investigated and resolved in a timely manner, bank reconciliation are performed monthly to identify any such matters. | June 2007 Ongoing |